

# Work of the UPU Councils – February-March 2012

U.S. Department of State

Presentation to the Advisory  
Committee on International  
Postal and Delivery Services

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# Terminal Dues

- Both POC and CA approved a complex proposal on terminal dues for submission to Doha Congress.
- Current proposal, if adopted by Doha UPU Congress, would provide greater cost coverage for mail to U.S and limited increases for outbound mail for U.S. mailers.
- Concerns were voiced by several delegations about speed with which countries classified in Transitional System move into the Target System.
- Classification of countries:
  - Group 1.1: Target System (Industrialized Countries).
  - Groups 1.2 and 2: Transitioned to Target System (New Target Countries) in 2010 and 2012, respectively.
  - Group 3: proposed to transition to Target System in 2016.
  - Group 4: Transition to be decided at next Congress.
  - Group 5: Least Developed Countries – Transition to be decided at next Congress.

# Terminal Dues – Current Proposal

- New methodology for calculation of terminal dues for “Target System” countries based on a linearization methodology using two tariffs, instead of current 20-gram methodology.
- 70% cost-to-tariff ratio.
- Phased-in increase for countries that would move from floor to cap (>50% increase) in one year (Australia, Spain and U.S) due to new methodology.
- Operational format separation (3 formats for Group 1.1 for flows above 50 tons a year; 2 formats for Groups 1.2 and 2).
- Quality of Service Link: minimum 75% and maximum 88% for quality of service targets. Incentive of 5% for participation; maximum penalties of 5% for target countries and 0% for transition and new target countries. Penalty for not reaching target: 0.33% for each % below target.

## Terminal Dues – Current Proposal 2

- Terminal dues flat rate in Transition System starting in 2014: 4.162 SDRs/kg.
- Cap and floor increases for Target System Group 1.1:
  - Floor rates for 2013 adjusted so that item/weight ratio is 12.8%.
  - Yearly increase of 2.8% applied to floor rates; 3% increase to cap rates.
  - % increase in rates from one year to next shall not lead to increase of more than 13% in terminal dues revenue at the average weight of 81.8 grams.
- Cap increases for Groups 1.2 and 2 (New Target Countries)
- New Target rates increased gradually so that they are closer in line with caps for Group 1.1. Caps and floors for Groups 1.2 and 2 to increase by annual rate of 6%, starting from 2013 level.
- Quality of Service Fund: Current contribution % for Groups 4 and 5 countries retained, with minimum of 20,000 SDRs for very low volume counties (currently 12,000 SDRs).

## Quality of Service Fund – Proposed % Payments

<div>Destination</div> <div>Origin</div>	Group 1	Group 2	Group 3 2014– 2015	Group 3 2016– 2017	Group 4 2014– 2015	Group 4 2016– 2017	Group 5
Group 1	–	–	4%	4%	10%	10%	20%
Group 2	–	–	2%	–	10%	10%	20%
Group 3	–	–	–	–	–	–	20%
Group 4	–	–	–	–	–	–	20%
Group 5	–	–	–	–	–	–	–

# Rules of Procedures for New Digital Services Cooperative

- POC and CA approved a compromise solution for weighted voting arrangements for the proposed extra-budgetary cooperative, called the .Post Group, that would manage the UPU's work on digital services.
- Under compromise solution, a double majority for decisions would be required – a majority of weighted votes and a majority of members present and voting.
- The Councils also approved U.S. suggestions to adopt modified *ad personam* status for the Group's Board members, as well as an odd number of Board members to avoid ties in votes.
- The .Post Group Rules of Procedure to be further refined in coming months. The Group is expected to be operational before the end of 2012.

# Reform of the Union – CA Decisions

- For the Consultative Committee, CA approved a “Three Cs” stakeholder model: Consultative, Collaborative and Contributory members. CC to meet once annually.
- A complex proposal for a “matrix” POC structure raised concerns. Among other things, proposal would have combined work on customs, transport and security into one group within a Committee on “supply chain management”. Following interventions by Ecuador, Israel, and the U.S., CA decided to maintain separate status for the Postal Security Group within POC. In any event, the POC elected at Doha will determine its own organizational structure.
- CA approved a draft new General Regulations article for consideration at Doha that would authorize the POC to establish user-funded subsidiary bodies. The article would allow for weighted voting arrangements.

## Other CA decisions

- Doha Postal Strategy (version 5) adopted.
- Approved a voting mechanism developed by Committee 4 (UPU Strategy) for prioritizing programs in the UPU budget at the Doha Congress. Under the plan, countries will choose, by a formal vote, the 10 lowest priority programs approved at Doha through “proposals of a general nature”. U.S. has been pressing for a UPU budget prioritization process in recent years.
- CA approved a proposal put forward by the Human Resources Reflection Group led by U.S. Proposal calls for efforts to seek better gender balance and geographical representation in recruitment of UPU staff in Bern.
- Interconnectivity: Work on International Mail Processing Center (IMPC) codes to continue.



## Other POC decisions

- Approved a report by the Inter-Committee Security Group. Work will go forward to Doha Congress. Focus of efforts will be on advance data, physical security and screening of mail.
- Candidates from Azerbaijan, Ghana and Portugal were elected to Board of Trustees of the Quality of Service Fund.
- POC passed a proposal by Japan to soften the language in its Rules of Procedure so that CA Chair and POC Chair could be from the same region. Japan, which aspires to be elected as POC Chair at the Doha Congress, is in the same region as Qatar which, as host of Congress, will assume CA chairmanship for 2012-2016.